

SBs 895-898

MESSA Legislative Testimony

House Education Committee
December 6, 2005

Good afternoon, Mr. Chair and Members of the committee. My name is Gary Fralick and I am director of communications and government relations for MESSA—the Michigan Education Special Services Association.

I very much appreciate the opportunity to be here today to discuss Senate Bills 895 through 898. After much review, it is our conclusion that the passage of these bills as currently drafted would:

- lead to adverse selection in all pools, causing rates to increase for many school districts
- leave many school districts and employees dangerously unprotected and exposed to huge liability from unpaid medical bills by exempting multi-employer self-insured school health insurance pools from the current Michigan law protecting consumers and school employees, and
- de-stabilize what the Hay Group acknowledged is a stable market. The Hay Group actuaries even testified that MESSA was “well-run” and that that they were “very impressed” by our business model.

I would also like to underscore for you that no data has been presented to substantiate any financial savings if these bills are passed into law. Not even one dollar has been substantiated by an actuary, much less millions of dollars.

Finally, we would like to express our willingness to work with you and committee members to address and fix these policy issues.

Much has changed in the market since you last heard from MESSA. Our statewide PPO program, MESSA Choices II, which was launched just 13 months ago, now covers more than 30 percent of MESSA's membership. Choices II saves groups that bargain it about six to eight percent off their premium. Almost 50 percent of our members are now enrolled in a PPO or POS plan. And about 80 percent of that movement has occurred in the last year alone.

In August we received approval to offer a new drug card with \$10 generic and \$20 brand co-payments. And if a person insists on the brand when a generic is available, they must also pay the difference in cost. This new option will save school employees eight to 10 percent off their premium. The market is working. And the savings are real dollars.

Senate Bills 895-898

MESSA supports the provisions contained in Senate Bill 896 that emphasize wellness, preventive care and chronic case management programs.

We also support pooling as an important insurance strategy – but only with the existing consumer protections.

And we are not opposed to the provisions in SB 896 that create a voluntary state catastrophic stop loss fund.

However, we are strongly opposed to two provisions in the bills that would:

1. Gut the current consumer and financial protections provided to multiple-employer insurance pools by the state MEWA (Multiple Employer Welfare Arrangement) statute – protections that were signed into law by Governor Engler in 1999, and
2. Threaten MESSA's community pools (and every other health insurance pool) by promoting adverse selection.

We also need to raise a technical issue. Our reading of Senate Bill 896 gives us concern that the definition of “carrier” does not include a not-for-profit organization such as MESSA. We suggest adopting the definition of “carrier” found in the state Insurance Code.

School Districts can Pool Today

School districts that want to join together to create self-insured pools for the purpose of providing health benefits to their employees can do so today under the state's MEWA statute.

The Western Michigan MEWA is an example of what can be done under current law. There is no need to weaken the current protections or oversight. The existing MEWA statute provides important financial and consumer protections to multi-employer pools, including minimum reserving guidelines, adequate financial reporting and active oversight by the Insurance Commissioner. These protections have been praised nationally and they have helped Michigan avoid the disastrous record of

multiple employer pools elsewhere. Nationally, the record of MEWAs is marked by instability and fraud. According to US Department of Labor figures, the department has initiated almost 600 civil and 106 criminal investigations, affecting 1.9 million participants and relating to almost \$140 million in unpaid claims.

The risk to school employees is great because when a pool fails individual employees are liable for the unpaid medical bills.

Release of Claims Experience Data to Employers

As you know, MESSA has long opposed the mandated release of employees' medical claims data to their employers.

School employees fear a loss of the privacy of their health care information and that of their covered family members. Even though SB 896 provides that the claims data would not identify individuals by name, employees fear that in small communities with small employers – and human nature being what it is -- word of an illness or treatment will get around. That kind of information can have serious implications, not only on someone's privacy, but potentially on their employment.

Mandated release of employees' medical claims data to employers would also encourage adverse selection of the youngest, healthiest and least-costly employees out of pools. With the younger, healthier employees out of the pools, rates for every other district will rise--making the majority of districts instant losers.

This provision will undermine community pools, and is in direct conflict with the primary policy goal in this package of bills – to promote pooling.

As you know, House Bill 4274 contains a similar requirement. Here in the House, a bipartisan coalition supports an amendment to HB 4274 that would require health care plans, including pools, to release medical claims data to an employer based upon the same provision upon which the employer receives a rate: if the employer benefits from a pooled rate, then it would be provided pooled data. This amendment protects all community pools from adverse selection. We urge you to fix this problem in Senate Bill 896 by approving a similar amendment or removing the mandate altogether.

Conclusion

Throughout its history, MESSA has had 2 primary goals: to provide the very best health benefits program for its members and to provide this security at the best price. It is our belief that we have been able to do both and continue to do so.

Our opposition to these bills as presently drafted stems from our fear that, while we support some provisions of these bills, other provisions, if unchanged, will lead to financial disaster for many school employees and districts that won't be protected by the consumer protections written carefully and thoughtfully into current law in 1999.

If unchanged, these bills will undermine the very community pools the proponents of these bills say they want to encourage.

As presently drafted, these bills threaten the stability of health care coverage for all public school employees. They threaten the financial security of every school employee and their family. And if they pass as currently drafted, there will be one less reason for young teachers to stay in the profession.

Thank you.